

MR. ECKES: Thank you, Mr. Chairman. Good morning, Commissioners. My name is Al Eckes. I'm from Ohio University in Athens, Ohio. As many of you know, I once served on the U.S. International Trade Commission for much of the last decade. I've been back in academic life as a historian. Let me say for the record that I appear here as a private citizen, not as an advocate for any party with any direct stake in your recommendations, though I think that as citizens we all have a great interest in your recommendations.

I think my interpretation may differ from some of the other witnesses that you have heard. Without a doubt, many factors contribute to the U.S. trade deficit, but I would like to focus today on market access problems, particularly the problem of foreign protectionism.

As you know, the U.S. merchandise deficit will approach, or exceed \$300 billion, this year. Perhaps two thirds of that will be with Asian countries, including several in the Middle East.

A large part of the problem is that these countries, particularly China, Japan and India, continue to use a variety of techniques to restrict U.S. exports and to spur their own exports. Mainland China, which has 1.2 trillion people, buys less from us than does Singapore, with 3 million people. The U.S.

merchandise exports to India, the world's second most populous country, with about 950 million people, one less than half of our exports to the Philippines, a country with 80 million. Indeed, we sell more to the Dominican Republic, population nine million, than to India, although India's population is 100 times larger.

Let me attempt, as a historian, to put the issue in perspective. I think that America's present deficit has its roots in decisions and practices that extend back to the Great Depression and to the period immediately after World War II. This is discussed more fully in my written testimony and in my academic writings. I would call to your attention the book that came out earlier this year, which I co-authored with Professor William Lovett of Tulane Law School, and Richard Brinkman of Portland State University, an economist on U.S. trade policy, entitled "U.S. Trade Policy - History, Theory and the WTO." It focuses on the trade deficit problem. It discusses more fully my perspective, and I know you've had a chance to read the written testimony.

In particular, I would call your attention to minutes of some negotiations in 1955, nearly 45 years ago, with Japan. These involved accession of Japan to the GATT. There is, of course, a parallel to recent events involving China, that set the pattern for

Japan's export-driven, import-substitution trade strategy. Later, other emerging Asian countries would follow the Japanese example. Where did they get their ideas? They got them, the Japanese negotiators acknowledged, from America's experience in the 19th century.

The asymmetries and imbalances in our Pacific trading relationship today stem in large part from our tolerance of free riders. Many nations benefited from access to the large American market, but did not pay or were not asked to pay the price of admission by providing equivalent access to their own markets. We were tolerant of this situation in the 1960s and the 1970s as the Cold War raged and we wanted other countries to earn a living outside the Sino-Soviet bloc. In addition, the GATT system faced pressures from developing countries with the growth of UNCTAD, and the GATT leadership pushed for easy admission to GATT, giving new members trading privileges, but avoiding the obligations of reciprocal openness.

Countries like India made use of GATT rules, particularly using balance of payments waivers to maintain systematic protection for the home market. Recently, the WTO dispute settlement mechanism has ruled against India's trade restrictions, but it's

anyone's guess whether this will truly open India's market.

It's also worth noting that the generalized system of preferences and certain other technical provisions in our customs code (old Section 806) on market sharing had the effect of stimulating exports from developing countries without advancing real reciprocity.

During the Kennedy and Tokyo rounds of negotiations, the U.S. placed a priority on a working relationship with Europe and gave little attention to opening third world markets. Perhaps as one participant in the Tokyo round negotiations observed, "No grand strategy was possible. U.S. hegemonic power was a lot easier for columnists and academics to write about than for the U.S. to put to work for the benefits of the world economy, more generally."

So what can we do about the trade deficit? How can we reduce it? I appreciate that some of you don't consider it a problem. Others of you may recommend draconian solutions. I would refer you to some specific suggestions in the book that Professors Brinkman, and Lovett and I have published. We suggest a selective approach to discontinuing Most Favored Nation treatment for countries with persistent and disproportionate surpluses.

I have another idea, which is not as frivolous as it might sound. If history offers any

guidance, we should not expect the WTO agreement with China to achieve true reciprocity in the short run. I think the recent agreement might well be subtitled the Boeing Microsoft, International-Lawyer Assistance Agreement of 1999. I would be much more optimistic about the prospects for true reciprocity if we could send the distinguished economist from Washington University in St Louis, who is Chairman of this panel, to China for the next 20 years, with instructions to educate them on the values of deregulation. I suspect he would have as much success in China, as he had in Washington, D.C. in the 1970s --

COMMISSIONER BECKER: There are a lot of my colleagues who would love to get rid of me for 20 years or more.

MR. CUTLER: -- as he had in Washington before the Reagan Administration. Thank you very much.

COMMISSIONER LEWIS: Thank you very much. I'm delighted to know that there's a Portland, Oregon professor involved with you in the writing of that book.

COMMISSIONER BECKER: You're supposed to conduct a vote now.

COMMISSIONER LEWIS: The last panelist is Don Hellmann, who is a professor at the University of Washington, not Seattle University.